



**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

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Auditor of State

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**NEWS RELEASE**

FOR RELEASE April 23, 2003

Contact: Andy Nielsen  
515/281-5515

The Office of Auditor of State today released an audit report on the City of Hazleton, Iowa.

The City's receipts totaled \$504,287 for the year ended June 30, 2002. The receipts included \$55,016 in property tax, \$2,482 in tax increment financing collections, \$53,508 in local option sales tax, \$105,308 from the state, \$65,204 from the federal government and \$18,351 in interest on investments.

Disbursements for the year totaled \$430,742, and included \$50,397 for community protection, \$40,873 for human development, \$294,750 for home and community environment and \$44,722 for policy and administration.

This report contains recommendations to the City Council and other City officials. For example, the City should review its operating procedures to obtain the maximum internal control possible under the circumstances and reconcile utility billings, collections and delinquent accounts monthly. The City responded that operating procedures will be reviewed and monthly utility reconciliation reports will be prepared.

A copy of the audit report is available for review in the office of the Auditor of State and the City Clerk's office.

# # #



**CITY OF HAZLETON**  
**INDEPENDENT AUDITOR'S REPORTS**  
**FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2002**

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City of Hazleton

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2002)</b>		
Wayne Holliday	Mayor	Jan 2004
Virginia Steil	Mayor Pro tem	Jan 2002
Steve Silver	Council Member	Jan 2002
Ron Vawter	Council Member	Jan 2002
Anton Ahlhelm	Council Member	Jan 2004
Susan Beesecker	Council Member	Jan 2004
Lynne Crandall	City Clerk	Indefinite
Patricia Arthaud	City Treasurer	Indefinite
Donna Lesyshen	City Attorney	(Resigned)
Carter Stevens (Appointed)	City Attorney	Indefinite
<b>(After January 2002)</b>		
Wayne Holliday	Mayor	Jan 2004
Virginia Steil	Mayor Pro tem	Jan 2006
Anton Ahlhelm	Council Member	Jan 2004
Susan Beesecker	Council Member	Jan 2004
Kenny Baych	Council Member	Jan 2006
Robert Gilson	Council Member	Jan 2006
Lynne Crandall	City Clerk	Indefinite
Patricia Arthaud	City Treasurer	Indefinite
Carter Stevens	City Attorney	Indefinite

**City of Hazelton**



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Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of the City of Hazleton, Iowa, as of and for the year ended June 30, 2002. These financial statements are the responsibility of the City of Hazleton's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2001.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2001, as discussed in the preceding paragraph, the aforementioned financial statements present fairly, in all material respects, the results of the cash transactions of the funds of the City of Hazleton as of and for the year ended June 30, 2002, and its indebtedness at June 30, 2002, on the basis of accounting described in note 1.

In accordance with Government Auditing Standards, we have also issued our report dated March 12, 2003 on our consideration of the City of Hazleton's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the aforementioned financial statements taken as a whole.

March 12, 2003

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

**City of Hazelton**

## **Financial Statements**

City of Hazleton  
 Combined Statement of Cash Transactions  
 All Fund Types  
 Year ended June 30, 2002

	Governmental Fund Types	
	General	Special Revenue
<b>Receipts:</b>		
Property tax	\$ 55,016	-
Tax increment financing collections	2,482	-
Other city tax	7,969	-
Licenses and permits	1,150	-
Use of money and property	8,401	579
Intergovernmental	94,419	76,093
Charges for service	37,125	-
Miscellaneous	2,537	5,661
Total receipts	209,099	82,333
<b>Disbursements:</b>		
Community Protection Program	41,527	8,870
Human Development Program	40,873	-
Home and Community Environment Program	96,844	55,935
Policy and Administration Program	44,722	-
Total disbursements	223,966	64,805
Excess (deficiency) of receipts over (under) disbursements	(14,867)	17,528
<b>Other financing sources (uses):</b>		
Operating transfers in	10,504	-
Operating transfers out	(13,346)	(164)
Total other financing sources (uses)	(2,842)	(164)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(17,709)	17,364
Balance beginning of year	67,026	31,009
Balance end of year	\$ 49,317	48,373

See notes to financial statements.

Proprietary Fund Type Enterprise	Total (Memorandum Only)
-	55,016
-	2,482
53,508	61,477
-	1,150
13,096	22,076
-	170,512
142,110	179,235
4,141	12,339
<u>212,855</u>	<u>504,287</u>
-	50,397
-	40,873
141,971	294,750
-	44,722
<u>141,971</u>	<u>430,742</u>
<u>70,884</u>	<u>73,545</u>
107,514	118,018
(104,508)	(118,018)
<u>3,006</u>	<u>-</u>
73,890	73,545
450,398	548,433
<u>524,288</u>	<u>621,978</u>

**City of Hazleton**

City of Hazleton

Comparison of Receipts, Disbursements and Changes in Balances -

Actual to Budget

Year ended June 30, 2002

	Actual	Budget	Variance Favorable (Unfavorable)	Actual as % of Budget
<b>Receipts:</b>				
Property tax	\$ 55,016	52,434	2,582	105%
Tax increment financing collections	2,482	14,359	(11,877)	17%
Other city tax	61,477	35,897	25,580	171%
Licenses and permits	1,150	1,405	(255)	82%
Use of money and property	22,076	18,200	3,876	121%
Intergovernmental	170,512	168,583	1,929	101%
Charges for service	179,235	171,285	7,950	105%
Miscellaneous	12,339	2,600	9,739	475%
Total receipts	504,287	464,763	39,524	109%
<b>Disbursements:</b>				
Community Protection Program	50,397	44,810	(5,587)	112%
Human Development Program	40,873	21,857	(19,016)	187%
Home and Community Environment Program	294,750	324,695	29,945	91%
Policy and Administration Program	44,722	73,229	28,507	61%
Total disbursements	430,742	464,591	33,849	93%
Excess of receipts over disbursements	73,545	172		
Balance beginning of year	548,433	474,515		
Balance end of year	\$ 621,978	474,687		

See notes to financial statements.

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City of Hazleton  
Statement of Indebtedness  
Year ended June 30, 2002

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
Sewer Revenue Bonds:			
Series 1998A	Dec 1, 1998	4.19%	\$190,000
Series 1998B	Dec 1, 1998	4.19	428,000
Total			
Bank Loan:			
Fire equipment	Sep 25, 1996	5.75%	\$22,965

See notes to financial statements.

<b>Balance Beginning of Year</b>	<b>Redeemed During Year</b>	<b>Balance End of Year</b>	<b>Interest Paid</b>
179,000	7,000	172,000	7,500
388,000	15,000	373,000	16,257
<b>\$ 567,000</b>	<b>22,000</b>	<b>545,000</b>	<b>23,757</b>
5,115	5,115	-	294

City of Hazleton

Notes to Financial Statements

June 30, 2002

**(1) Summary of Significant Accounting Policies**

The City of Hazleton is a political subdivision of the State of Iowa located in Buchanan County. It was first incorporated in 1864 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture, recreation, public improvements and general administrative services.

A. Reporting Entity

For financial reporting purposes, the City of Hazleton has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City of Hazleton has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Buchanan County Assessor's Conference Board, Buchanan County Emergency Management Commissions, and Buchanan County Joint E911 Service Boards.

B. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its receipts, disbursements and fund balances. The various funds and their designated purposes are as follows:

## Governmental Funds

General Fund - The General Fund is the general operating fund of the City. All general tax receipts and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid through other funds.

Special Revenue Funds - The Special Revenue Funds are utilized to account for receipts derived from specific sources which are usually required by law or regulation to be accounted for in separate funds.

## Proprietary Funds

Enterprise Funds - The Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services that are supported by user charges.

### C. Basis of Accounting

The City of Hazleton maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

### D. Budgets and Budgetary Accounting

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon four major classes of disbursements, known as programs, not by fund. These four programs are community protection, human development, home and community environment and policy and administration.

### E. Total (Memorandum Only)

The total column on the combined statement of cash transactions is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

## **(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2002 were entirely covered by federal depository insurance or the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

**(3) Long-Term Debt**

Bonds Payable

Annual debt service requirements to maturity for the sewer revenue bonds is as follows:

Year Ending June 30,	Sewer Revenue Bonds				Total	
	Series 1998A		Series 1998B		Principal	Interest
	Principal	Interest	Principal	Interest		
2003	\$7,000	7,207	15,000	15,629	22,000	22,836
2004	8,000	6,914	16,000	15,000	24,000	21,914
2005	8,000	6,578	17,000	14,330	25,000	20,908
2006	9,000	6,243	18,000	13,618	27,000	19,861
2007	10,000	5,866	18,000	12,863	28,000	18,729
2008	10,000	5,447	19,000	12,109	29,000	17,556
2009	10,000	5,028	20,000	11,313	30,000	16,341
2010	10,000	4,609	21,000	10,475	31,000	15,084
2011	10,000	4,190	22,000	9,595	32,000	13,785
2012	10,000	3,771	22,000	8,673	32,000	12,444
2013	10,000	3,352	23,000	7,752	33,000	11,104
2014	10,000	2,933	24,000	6,788	34,000	9,721
2015	10,000	2,514	25,000	5,782	35,000	8,296
2016	11,000	2,095	26,000	4,735	37,000	6,830
2017	12,000	1,634	28,000	3,645	40,000	5,279
2018	13,000	1,131	29,000	2,472	42,000	3,603
2019	14,000	587	30,000	1,257	44,000	1,844
	<u>\$ 172,000</u>	<u>70,099</u>	<u>373,000</u>	<u>156,036</u>	<u>545,000</u>	<u>226,135</u>

Sewer Revenue Bonds

On October 19, 1998, the City entered into agreements with the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank Iowa, N.A. for the issuance of \$618,000 of sewer revenue bonds with 4.19% per annum interest. The bonds were issued pursuant to the provisions of Sections 384.24A and 384.83 of the Code of Iowa to construct improvements and extensions to a municipal sanitary sewer system.

The resolution providing for the issuance of the revenue bonds includes the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a separate sewer revenue bond sinking account for the purpose of making the bond principal and interest payments when due.

Bank Loan

On September 25, 1996, the City entered into an agreement to borrow \$22,965 to purchase fire equipment. The loan will be repaid by the City in five equal annual installments of \$5,415, plus interest at the rate of 5.75% per annum, beginning September 25, 1997. The final payment was made on September 24, 2001, leaving no balance at June 30, 2002.

**(4) Pension and Retirement Benefits**

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2002 was \$3,182, equal to the required contribution for the year.

**(5) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and compensatory hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and compensatory payments payable to employees at June 30, 2002, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 800
Compensatory time	<u>200</u>
Total	<u>\$ 1,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2002.

**(6) Risk Management**

The City of Hazleton is exposed to various risks related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks did not exceed commercial insurance coverage for the year ended June 30, 2002.

**(7) Budget Overexpenditure**

Per the Code of Iowa, disbursements may not exceed budgeted appropriations at the program level. During the year ended June 30, 2002, disbursements in the Community Protection and the Human Development Programs exceeded the amounts budgeted.

**(8) Deficit Balances**

The Enterprise, Urban Renewal Tax Increment Fund had a deficit balance of \$3,742 at June 30, 2002. The deficit balance was the result of installation of service lines in a new subdivision and improvements to the sewer lagoon completed in prior years. The deficit will be eliminated through future tax increment financing collections.

**(9) Subsequent Event**

On August 21, 2002, the City approved the purchase of land and a building from Buchanan County for \$40,000.

## **Supplemental Information**

**Schedule 1**

City of Hazleton  
Combining Schedule of Cash Transactions  
General Fund  
Year ended June 30, 2002

	General	Fire Truck Reserve	Housing Rehabilitation	Total
<b>Receipts:</b>				
Property tax	\$ 55,016	-	-	55,016
Tax increment financing collections	2,482	-	-	2,482
Other city tax:				
Moble home tax	3,009	-	-	3,009
Cable franchise fee	2,063	-	-	2,063
Utility tax replacement excise tax	2,897	-	-	2,897
	7,969	-	-	7,969
Licenses and permits:				
Liquor, beer and cigarette	1,150	-	-	1,150
Use of money and property:				
Interest on investments	4,676	-	-	4,676
Rent	3,725	-	-	3,725
	8,401	-	-	8,401
Intergovernmental:				
State allocation	10,315	-	-	10,315
Bank franchise tax	3,502	-	-	3,502
Community development block grant	-	-	65,204	65,204
IDNR Infrastructure grant	15,398	-	-	15,398
	29,215	-	65,204	94,419
Charges for service:				
Landfill collections	13,004	-	-	13,004
Garbage collections	23,058	-	-	23,058
Recycling collections	483	-	-	483
Fire protection	580	-	-	580
	37,125	-	-	37,125
Miscellaneous:				
Fines and fees	328	-	-	328
Refunds and reimbursements	715	-	-	715
Miscellaneous	1,494	-	-	1,494
	2,537	-	-	2,537
Total receipts	143,895	-	65,204	209,099
<b>Disbursements:</b>				
Community Protection Program:				
Police:				
Law enforcement agreement	16,588	-	-	16,588

City of Hazleton  
Combining Schedule of Cash Transactions  
General Fund  
Year ended June 30, 2002

	General	Fire Truck Reserve	Housing Rehabilitation	Total
Disbursements (continued):				
Community Protection Program:				
Fire:				
Personal services	534	-	-	534
Contractual services	10,323	-	-	10,323
Commodities	741	-	-	741
Capital outlay	4,378	-	-	4,378
Debt Service:				
Principal redeemed	5,115	-	-	5,115
Interest paid	294	-	-	294
	<u>21,385</u>	-	-	<u>21,385</u>
Civil defense	3,554	-	-	3,554
	<u>41,527</u>	-	-	<u>41,527</u>
Human Development Program:				
Animal control	91	-	-	91
Museum	777	-	-	777
Parks and recreation:				
Contractual service	1,014	-	-	1,014
Commodities	1,810	-	-	1,810
Capital outlay	36,831	-	-	36,831
	<u>39,655</u>	-	-	<u>39,655</u>
Library:				
Contractual services	350	-	-	350
	<u>40,873</u>	-	-	<u>40,873</u>
Home and Community Environment Program:				
Housing rehabilitation:				
Contractual services	-	-	58,492	58,492
Streets:				
Personal services				
Contractual services	2,662	-	-	2,662
Commodities	1,682	-	-	1,682
Capital outlay	-	-	-	-
	<u>4,344</u>	-	-	<u>4,344</u>
Solid Waste:				
Contractual service	33,999	-	-	33,999
Safety program	9	-	-	9
	<u>38,352</u>	-	58,492	<u>96,844</u>

**Schedule 1**

City of Hazleton  
Combining Schedule of Cash Transactions  
General Fund  
Year ended June 30, 2002

	General	Fire Truck Reserve	Housing Rehabilitation	Total
Disbursements (continued):				
Policy and Administration Program:				
Mayor, Council and Treasurer:				
Personal services	4,245	-	-	4,245
Legion hall:				
Personal services	1,699	-	-	1,699
Contractual services	3,469	-	-	3,469
Commodities	371	-	-	371
	5,539	-	-	5,539
Elections	880	-	-	880
Legal services	2,273	-	-	2,273
Administrative:				
Personal services	10,520	-	-	10,520
Contractual services	15,923	-	-	15,923
Commodities	3,790	-	-	3,790
Capital outlay	1,552	-	-	1,552
	31,785	-	-	31,785
	44,722	-	-	44,722
Total disbursements	165,474	-	58,492	223,966
Excess (deficiency) of receipts over (under) disbursements	(21,579)	-	6,712	(14,867)
Other financing sources (uses):				
Operating transfers in (out):				
General:				
General	-	-	10,420	10,420
Housing Rehabilitation	(10,420)	-	-	(10,420)
Special Revenue:				
Road Use Tax	84	-	-	84
Enterprise:				
Urban Renewal Tax Increment	(2,926)	-	-	(2,926)
Total other financing sources (uses)	(13,262)	-	10,420	(2,842)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(34,841)	-	17,132	(17,709)
Balance beginning of year	79,458	4,700	(17,132)	67,026
Balance end of year	\$ 44,617	4,700	-	49,317

See accompanying independent auditor's report.

City of Hazleton  
Combining Schedule of Cash Transactions  
Special Revenue Fund  
Year ended June 30, 2002

	Hazleton		Total
	Road Use Tax	Volunteer Fire Department	
<b>Receipts:</b>			
Use of money and property:			
Interest on investments	\$ -	579	579
Intergovernmental:			
Road use tax allocation	76,094	-	76,093
Miscellaneous:			
Fund raisers/donations	-	5,009	5,009
Miscellaneous	-	652	652
	-	5,661	5,661
Total receipts	76,094	6,240	82,333
<b>Disbursements:</b>			
Community Protection Program:			
Contractual services	-	133	133
Commodities	-	2,353	2,353
Capital outlay	-	6,384	6,384
	-	8,870	8,870
Home and Community Environment Program:			
Street maintenance:			
Personal services	17,418	-	17,418
Contractual services	13,403	-	13,403
Commodities	3,114	-	3,114
Capital outlay	22,000	-	22,000
	55,935	-	55,935
Total disbursements	55,935	8,870	64,805
Excess (deficiency) of receipts over (under) disbursements	20,159	(2,630)	17,528
<b>Other financing uses:</b>			
Operating transfers out:			
General:			
General	(84)	-	(84)
Enterprise:			
Water	(80)	-	(80)
	(164)	-	(164)
Excess (deficiency) of receipts over (under) disbursements and other financing uses	19,995	(2,630)	17,364
Balance beginning of year	16,748	14,261	31,009
Balance end of year	\$ 36,743	11,631	48,373

See accompanying independent auditor's report.

City of Hazleton  
Combining Schedule of Cash Transactions

Enterprise Funds

Year ended June 30, 2002

	Water	Water Tower
<b>Receipts:</b>		
Other city tax:		
Local option sales tax	\$ 26,754	-
Use of money and property:		
Interest on investments	3,812	-
<b>Charges for service:</b>		
Sale of water	56,157	-
Installations and connections	595	-
Sewer rental fees	-	-
Customer services/sales	700	-
Penalty	-	-
	57,452	-
<b>Miscellaneous:</b>		
Sales tax collected	3,582	-
Customer deposits	400	-
Miscellaneous	119	-
	4,101	-
<b>Total receipts</b>	<b>92,119</b>	<b>-</b>
<b>Disbursements:</b>		
Home and Community Environment Program:		
Personal services	18,616	-
Contractual services	17,918	-
Commodities	8,906	-
Capital outlay	7,569	-
Debt service:		
Principal redeemed	-	-
Interest paid	-	-
Administrative fee	-	-
<b>Total disbursements</b>	<b>53,009</b>	<b>-</b>
<b>Excess (deficiency) of receipts over (under) disbursements</b>	<b>39,110</b>	<b>-</b>

Sewer	SRF Lagoon Sinking	Urban Renewal Tax Increment	Total
26,754	-	-	53,508
9,284	-	-	13,096
-	-	-	56,157
-	-	-	595
80,967	-	-	80,967
-	-	-	700
3,691	-	-	3,691
84,658	-	-	142,110
-	-	-	3,582
-	-	-	400
40	-	-	159
40	-	-	4,141
-	-	-	-
120,736	-	-	212,855
17,193	-	-	35,809
15,455	-	-	33,373
2,816	-	-	11,722
7,457	-	-	15,026
-	22,000	-	22,000
-	23,757	-	23,757
-	284	-	284
42,921	46,041	-	141,971
77,815	(46,041)	-	70,884

City of Hazleton  
 Combining Schedule of Cash Transactions  
 Enterprise Funds  
 Year ended June 30, 2002

	Water	Water Tower
Other financing sources (uses):		
Operating transfers in (out):		
General:		
General	-	-
Special Revenue:		
Road Use Tax	80	-
Enterprise:		
Water	-	26,754
Water Tower	(26,754)	-
Sewer	-	-
SRF Lagoon Sinking	-	-
Total other financing sources (uses)	(26,674)	26,754
Excess of receipts and other financing sources over disbursements and other financing uses	12,436	26,754
Balance beginning of year	63,573	144,674
Balance end of year	\$ 76,009	171,428

See accompanying independent auditor's report.

Sewer	SRF Lagoon Sinking	Urban Renewal Tax Increment	Total
-	-	2,926	2,926
-	-	-	80
-	-	-	26,754
-	-	-	(26,754)
-	77,754	-	77,754
(77,754)	-	-	(77,754)
(77,754)	77,754	2,926	3,006
61	31,713	2,926	73,890
209,178	39,641	(6,668)	450,398
209,239	71,354	(3,742)	524,288

**Schedule 4**

## City of Hazleton

## Bond Maturities

June 30, 2002

Year Ending June 30,	Sewer Revenue Bonds					Total
	Series 1998A		Series 1998B			
	Issued Dec 1, 1998		Issued Dec 1, 1998			
	Interest		Interest			
Rates	Amount	Rates	Amount			
2003	4.19%	\$ 7,000	4.19%	\$ 15,000	\$ 22,000	
2004	4.19	8,000	4.19	16,000	24,000	
2005	4.19	8,000	4.19	17,000	25,000	
2006	4.19	9,000	4.19	18,000	27,000	
2007	4.19	10,000	4.19	18,000	28,000	
2008	4.19	10,000	4.19	19,000	29,000	
2009	4.19	10,000	4.19	20,000	30,000	
2010	4.19	10,000	4.19	21,000	31,000	
2011	4.19	10,000	4.19	22,000	32,000	
2012	4.19	10,000	4.19	22,000	32,000	
2013	4.19	10,000	4.19	23,000	33,000	
2014	4.19	10,000	4.19	24,000	34,000	
2015	4.19	10,000	4.19	25,000	35,000	
2016	4.19	11,000	4.19	26,000	37,000	
2017	4.19	12,000	4.19	28,000	40,000	
2018	4.19	13,000	4.19	29,000	42,000	
2019	4.19	14,000	4.19	30,000	44,000	
Total		<u>\$ 172,000</u>		<u>\$ 373,000</u>	<u>\$ 545,000</u>	

See accompanying independent auditor's report.



**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

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**Independent Auditor's Report on Compliance  
and on Internal Control over Financial Reporting**

To the Honorable Mayor and  
Members of the City Council:

We have audited the financial statements of the City of Hazleton, Iowa, as of and for the year ended June 30, 2002, and have issued our report thereon dated March 12, 2003. Our report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed a qualified opinion since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2001.

Except as noted in the Independent Auditor's Report, we conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the City of Hazleton's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City of Hazleton's operations for the year ended June 30, 2002 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior audit statutory comments have been resolved except for items (1), (2) and (12).

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Hazleton's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Hazleton's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that reportable conditions (A) and (B) described above are material weaknesses. Prior audit reportable conditions have been resolved except for item (A).

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Hazleton and other parties to whom the City of Hazleton may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Hazleton during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

March 12, 2003

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

City of Hazleton  
Schedule of Findings  
Year ended June 30, 2002

**Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

(A) Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check on those of another. One person had control over each of the following areas for the City:

- (1) Cash - preparing bank reconciliations, initiating cash receipts and disbursement transactions and handling and recording cash.
- (2) Investments - detailed record keeping, custody of investments and reconciling earnings.
- (3) Receipts - collecting, depositing, journalizing and posting.
- (4) Utility receipts - billing, collecting, depositing, posting and reconciling.
- (5) Disbursements - purchasing, check signing, recording and reconciling.
- (6) Payroll - preparing and distributing.
- (7) Financial reporting - preparing, posting and reconciling.
- (8) Information system (computer usage) - performing all general accounting functions and controlling all data input and output.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will utilize resources available to obtain the maximum internal control possible.

Conclusion - Response accepted.

(B) Reconciliation of Utility Billings, Collections and Delinquencies - Monthly utility billings, collections and delinquent accounts were not reconciled throughout the year ended June 30, 2002. In addition, utility collections were not reconciled to deposits.

Recommendation - Procedures should be established to reconcile monthly utility billings, collections and delinquencies for each billing period and also to reconcile collections to deposits. The City Council or a Council designated independent person should review the reconciliations and monitor delinquencies.

City of Hazleton  
Schedule of Findings  
Year ended June 30, 2002

Response – Monthly reports will be run and monitored by the City Council.

Conclusion – Response accepted.

(C) Information System – The City does not have written policies for:

- requiring password changes because software does not require the user to change logins/passwords periodically or to maintain password privacy.
- storage of back up tapes at an off site facility.
- usage of the internet.
- alternative power sources.

Recommendation – The City should develop written policies addressing the above items in order to improve the City's control over its information system.

Response – City policy will be updated to include internet usage, computer passwords, Council designated off site location of all back up tapes, as well as alternative power sources.

Conclusion – Response accepted.

City of Hazleton  
 Schedule of Findings  
 Year ended June 30, 2002

**Other Findings Related to Required Statutory Reporting:**

- (1) Official Depository - A written resolution naming the official depository has not been approved by the City.

Recommendation - A new written depository resolution, in sufficient amount(s), should be approved as required by Chapter 12C of the Code of Iowa.

Response - A new written depository resolution will be submitted for approval of the Council to comply with the Code of Iowa.

Conclusion - Response accepted.

- (2) Certified Budget - Disbursements during the year ended June 30, 2002 exceeded the amounts budgeted in the Community Protection and Human Development Programs. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budget should have been amended as required by Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed budgeted amounts.

Response - We will ensure future budgets will be amended as needed to be in compliance with the Code of Iowa.

Conclusion - Response accepted.

- (3) Questionable Disbursements - No disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

- (4) Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

- (5) Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Virginia Steil, Council Member, Husband owns Steil Welding	Welding and repair	\$286

These transactions do not represent a conflict of interest in accordance with Chapter 362.5(11) of the Code of Iowa because the cumulative total during the fiscal year was less than \$2,500.

City of Hazleton

Schedule of Findings

Year ended June 30, 2002

- (6) Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- (7) Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

Although the City did publish minutes as required by Chapter 372.13(6) of the Code of Iowa, the disbursement publications did not include the purpose of the disbursement as required by Chapter 372.13(6) and an Attorney's General opinion dated April 12, 1978.

Recommendation - The City should publish minutes as required by Chapter 372.13 of the Code of Iowa.

Response - The Attorney General's interpretation of Chapter 372.13(6) of the Code of Iowa will be considered by the Council.

Conclusion - Response acknowledged. The City should implement procedures to comply with the Code of Iowa.

- (8) Deposits and Investments - Although the City has approved and adopted an investment policy, the references are to Chapter 452 of the Code of Iowa, which are no longer applicable.

Recommendation - The City should establish a new investment policy that references Chapters 12B and 12C of the Code of Iowa.

Response - The City investment policy will be corrected.

Conclusion - Response accepted.

- (9) Revenue Bonds - The City has compiled with the provisions of the revenue bond indenture.

- (10) Financial Condition - At June 30, 2002, the City had a deficit balance in the Enterprise, Urban Renewal Tax Increment Fund.

Recommendation - The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response - This deficit was the result of installation of service lines in a new subdivision and improvements to the sewer lagoon completed in prior years. The deficit will be eliminated through future tax increment financing collections.

Conclusion - Response accepted.

City of Hazleton

Schedule of Findings

Year ended June 30, 2002

- (11) Local Option Sales Tax – Local option sales tax collections were recorded directly to the Enterprise, Water and Sewer Funds.

Recommendation – The City should establish a Special Revenue, Local Option Sales Tax Fund and credit all local option sales tax collections to this fund and then transfer the collections to the appropriate fund(s) approved by the voters.

Response – Voters did not pass the local option sales tax referendum in November 2002 to extend collection of local option sales tax beyond the September 30, 2003 expiration date of the previous referendum. A special election has been scheduled for May 13, 2003. If the local option sales tax extension is approved at this time, the Special Revenue Fund will be created, with monies deposited into the fund and transferred to the appropriate areas.

Conclusion – Response accepted.

- (12) TIF Collections – The City recorded the tax increment financing collections received from the County Treasurer in the General Fund, General Account.

Recommendation – Chapter 403.19(2) of the Code of Iowa requires that these collections be allocated to be paid into a special fund of the municipality to retire debt incurred. The City should record the tax increment financing collections in a Special Revenue Fund of the City and then disburse or transfer the funds to the appropriate fund for the retirement of debt.

Response – At this time the City is not active with a TIF project and did not certify for new TIF monies. When a new project begins, a Special Revenue Fund will be created to deposit all TIF monies received.

Conclusion – Response accepted.

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City of Hazleton

Staff

This audit was performed by:

Steven M. Nottger, CPA, Manager  
John G. Vanis, CGFM, Senior Auditor  
Heather L. Templeton, Assistant Auditor

Andrew E. Nielsen, CPA  
Deputy Auditor of State